

Message Text

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TAGS:OGEN, TQ

SUBJECT:PALAU SUPERPORT

DOTA NO. 525-TT

1. FOR HICOM TTPI. RICHARD T. JOHNSON, ASSOCIATE PROFESSOR OF MANAGEMENT, STANFORD UNIVERSITY GRADUATE SCHOOL OF BUSINESS, HAS BEEN RETAINED BY THE INTERNATIONAL UNION FOR THE CONSERVATION OF NATURE TO ASSESS THE ECONOMIC POTENTIAL OF THE PALAU SUPERPORT CONCEPT, TO RECOMMEND POSSIBLE ALTERNATIVE CONTRACTUAL TERMS WHICH WOULD MAXIMIZE PALAUAN ECONOMIC GAINS, AND TO MAKE ALTERNATIVE RECOMMENDATIONS TO THE SUPERPORT. FOREGOING WORK NOT REPEAT NOT AT INSTIGATION OF NOR INVOLVEMENT OF INTERIOR DEPARTMENT. HOWEVER, JOHNSON HAS MET WITH UNDER SECRETARY JOSEPH AND US TO DISCUSS ECONOMIC DEVELOPMENT IN PALAU AND IN MICRONESIA IN GENERAL. UNDER SECRETARY JOSEPH AND I ARE EXTREMELY IMPRESSED BY PROFESSOR JOHNSON AND HIS APPROACH TO ECONOMIC DEVELOPMENT PROBLEMS. JOHNSON HAS HAD EXTENSIVE GOVERNMENT AND BUSINESS AS WELL AS ACADEMIC EXPERIENCE. JOHNSON WOULD BE UNCLASSIFIED

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WILLING TO EXTEND HIS PALAU STUDY TO SUCH OTHER DISTRICTS AS YOU OR WE MIGHT FEEL APPROPRIATE--SUCH AS THE MARSHALLS, PONAPE, TRUK,

AND YAP. ONE MAN MONTH CONSULTING AT GOVERNMENT RATES TOGETHER WITH TRANSPORTATION AND PER DIEM WOULD BE REQUIRED FOR TIME AND EXPENSES THAT ARE INCURRED OVER THOSE BUDGET-

ED BY IUCN FOR THE PALAU STUDY. THESE COSTS ARE ESTIMATED TO BE IN THE 5,000 DLRS TO 7,000 DLRS RANGE AND INVOLVE TRIPS TO DISTRICTS OTHER THAN PALAU, AT LEAST ONE OR TWO VISITS TO SAIPAN, A TRIP TO SAMOA FROM HONOLULU, AND ONE TRIP FROM THE WEST COAST TO WASHINGTON, D.C., AND RETURN TO THE WEST COAST. WITH IUCN FINANCING THE BASIC TRIP TO PALAU AND RETURN, THE TRUST TERRITORY WOULD ONLY FINANCE THE ADDITIONAL COSTS FOR DISTRICT, SAMOA, AND WEST COAST TO D.C. VISITS. JOHNSON'S RESULTING WORK PRODUCT WOULD BE A WRITTEN BUSINESS ANALYSIS IDENTIFYING HIGH POTENTIAL AREAS AND WOULD INCLUDE A LIST OF ACTION STEPS FOR ESTABLISHING BUSINESS VENTURES IN THOSE SECTORS WHERE FEASIBILITY IS ESTABLISHED. JOHNSON SEES THREE GENERAL CLASSES OF BUSINESS OPPORTUNITIES WHICH WILL BE CONSIDERED--THE FISHING INDUSTRY, TOURISM, AND AGRICULTURE. A BUSINESS ANALYSIS OF THE FISHING INDUSTRY IS ILLUSTRATIVE OF THE APPROACH TO BE TAKEN. EVIDENCE NOW AVAILABLE SUGGESTS THAT APPROXIMATELY 70,000 TONS OF TUNA CAN BE SUSTAINABLY HARVESTED FROM MICRONESIAN WATERS. AT CURRENT MARKET PRICES, THIS RESOURCE WOULD GENERATE 42 MILLION DLRS AT FISHING DOCK AND AN ADDITIONAL 45 MILLION DLRS FROM THE CANNING PROCESS. WHAT ARE THE SPECIFIC BARRIERS TO MICRONIZATION OF THESE ACTIVITIES? WHAT ARE THE SPECIFIC REQUIREMENTS FOR SUCCESS IN THE SUPPLY, PRODUCTION, AND MARKETING ACTIVITIES FOR A CANNING OPERATION? WHAT SPECIFIC BUSINESSES IN WHAT LOCATIONS ENGAGED IN WHAT ACTIVITIES COMPRISE THE MOST FEASIBLE

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AND ACTIONABLE VENTURES? ANSWERS TO THESE QUESTIONS WILL BE MORE COMPLETE AND MEANINGFUL IF ADDRESSED ON A MULTI-DISTRICT BASIS. OPTIONAL SITE LOCATION OF CANNERIES SHOULD BE PREDICATED ON FISHING GROUND LOGISTICS, LABOR FORCE, AND INFRASTRUCTURE AVAILABILITY--NOT ON PALAUAN INTERESTS ALONE. SIMILARLY, TOURISM AND AGRICULTURAL OPPORTUNITIES CANNOT BE AS EFFECTIVELY ASSESSED IF THE ANALYSIS TREATS ONE DISTRICT IN ISOLATION FROM THE OTHERS.

COPY OF JOHNSON BIO IS BEING SENT YOU BY MAIL. HE PLANS TO DEPART PALO ALTO ON OR ABOUT JANUARY 23. HIS PROPOSED ECONOMIC ANALYSIS FOR MICRONESIA WOULD TAKE ABOUT ONE MAN-MONTH ON TOP OF PALAU COMMITMENT. AS I MENTIONED AT OUTSET UNDER SECRETARY JOSEPH AND I ARE VERY FAVORABLY IMPRESSED AND REQUEST YOU SERIOUSLY CONSIDER EMPLOYING PROFESSOR JOHNSON AS ECONOMIC CONSULTANT. NOTE THAT THE ARRANGEMENT IS ATTRACTIVE ON COST-EFFECTIVE BASIS SINCE

JOHNSON WILL BE IN THE TRUST TERRITORY ANYWAY. PLEASE CABLE WHETHER YOU ARE INCLINED TO EMPLOY HIM ON A SHORT TERM CONTRACTUAL BASIS. IF AFFIRMATIVE WE WILL ASK JOHNSON TO LOOK TO YOU FOR DETAILS OF MISSION. MRS. RUTH

G. VAN CLEVE, DIRECTOR, OTA, SENDS. VANCE

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